

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6611

BILL NUMBER: HB 1179

NOTE PREPARED: Mar 27, 2013

BILL AMENDED: Mar 26, 2013

SUBJECT: Securities Matters.

FIRST AUTHOR: Rep. Heaton

FIRST SPONSOR: Sen. Smith

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires that certain financial statements that are submitted with a registration statement for securities that: (1) are registered by qualification; and (2) are to be offered in Indiana with a maximum aggregate offering price in excess of \$1 M; be prepared using U.S. generally accepted accounting principles and be audited by an independent certified public accountant under U.S. generally accepted auditing standards or standards of the Public Company Accounting Oversight Board.

The bill makes it unlawful for a person to violate an agreement that is: (1) entered into between the Securities Division of the Secretary of State and the person; and (2) ordered by the Securities Commissioner under the Indiana Uniform Securities Act. It provides that a violation of an agreement does not subject the person to liability to a purchaser or seller.

Effective Date: July 1, 2013.

Explanation of State Expenditures: (Revised) *Penalty Provision:* A person found in violation may be subject to civil penalty, or they may have committed a Class C felony if the violation was determined to be fraudulent. A Class C felony is punishable by a prison term ranging from two to eight years depending upon mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the marginal cost for medical care, food, and clothing is approximately \$3,234 annually, or \$8.86 daily, per prisoner. However, any additional expenditures are likely to be small. The average length of stay in Department of Correction (DOC) facilities for all Class C felony offenders is approximately two years.

Explanation of State Revenues: *Penalty Provision:* If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class C felony is \$10,000. The Securities Division of the Secretary of State may also impose a civil penalty not to exceed \$10,000 or take additional actions. However, any additional revenues would likely be small.

Explanation of Local Expenditures: *Penalty Provision:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. However, any additional expenditures would likely be small.

Explanation of Local Revenues: *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, the amounts would likely be small.

State Agencies Affected: Secretary of State: Securities Division; Department of Correction.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources:

Fiscal Analyst: Heath Holloway, 232-9867.